

Declass Review,

29 May 1962

Please Reference:

[Redacted]

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Central Intelligence Agency
2430 E Street, N. W.
Washington 25, D. C.

Attention:

[Redacted]

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Contracting Officer

Subject:

Task Order No. 1

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[Redacted]

References:

[Redacted]

Gentlemen:

Pursuant to the requirements of the subject Contract, the Contractor has completed an analysis of performance under Task Order No. 1 and computed estimates to complete. This analysis indicates that completion of performance, exclusive of fixed fee, will require funds in addition to those presently committed under this Task Order. Several factors have contributed to this requirement for additional funding. Of prime significance is the application of a general and administrative rate which has exceeded the estimated rates

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included in the referenced proposals by the Contractor. Similarly, anticipated recoverable Manufacturing and Engineering overhead rates have exceeded the bid rates. The combination of these factors amounts to approximately [redacted] which represents the major portion of this request for additional funding. The percentage rates which we anticipate recovering are explicitly defined in Enclosure 1.

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In addition, the following factors contribute to this requirement for additional funding:

- A. Our estimates indicate Manufacturing direct labor dollars will exceed the original bids by approximately [redacted] These additional expenditures were required as a result of mechanical problems encountered in the scanner and rotating mirror modulated light source as well as redesign and modification which were necessary. In addition, during the performance of this program it became apparent that the precision and tolerances required to fabricate portions of the image enhancement equipment dictated the use of Manufacturing Department facilities and capabilities in lieu of the use exclusively of model shop personnel and techniques as we had originally planned. This change in the philosophy of performance contributed to the necessity for additional Manufacturing direct labor dollars.
- B. Direct material costs are estimated to exceed the original bids by approximately [redacted] This additional expenditure was required for the replacement and design modifications of the mechanical portions of the equipment which are discussed in the previous paragraph.

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The net effect of the above factors has resulted in a requirement for an additional [redacted]. A Cost Analysis of actual costs incurred during the Contractor's fiscal years 1960, 1961, and through 1 April 1962, as they relate to the estimates utilized as a basis for contracting and a reconciliation by cost element, is forwarded herewith as Enclosure 1 for your review.

The above dollar amount is determined, in part, by the application of overhead and general and administrative rates based upon costs recorded in our books of account. The percentage rates reflected for our fiscal year 1960 are those which have been negotiated and determined by final audit with the

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cognizant auditor for the Department of Defense and have been applied in settlement of all Department of Defense contracts for performance during that period. The Contractor is presently participating with the Department of Defense auditors in the negotiation and determination of final overhead and general and administrative rates for fiscal year 1961 which will be applied for reimbursement of all cost reimbursement type contracts with the Department of Defense for that period. The percentage rates which are reflected in Enclosure 1 for our fiscal years 1961 and 1962, represent the Contractor's estimate of anticipated recoverable indirect costs based upon our records and books of account.

The delivery schedule as defined in Supplement No. 3 to the subject Task Order remains unchanged. (i.e., Completion date for the performance of work under this Task Order is 15 August 1962.)

It is requested that an appropriate contractual amendment be issued against Task Order No. 1 to the subject Contract to provide for an adjusted total estimated cost of [] and no change in the fixed fee of []. In the resulting in an aggregate total cost plus fixed fee of [], In the event additional information may be required, please contact []

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[] director of contracts, at []

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Very truly yours,

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GEJ:lb

Enclosure 1 - Cost Analysis

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2. Prior to the visit of the undersigned, work on the increased scope for the Image Enhancement Device had been temporarily stopped due to the failure of the oscillating mirror in the optical system. This metal mirror had become deformed due largely to the oscillating motion required. This deformation caused considerable loss in resolution in

the system. A new glass mirror of considerable thickness has now been installed and the cam follower which was causing the banding effect has been replaced by mechanical gear train. A photo multiplier tube, together with an inverse feed-back circuit, has been installed to eliminate the former difficulty with the output materials which exhibited signs of unevenness in density. Work on this instrument is programmed to be completed by the end of June, at which time the various components will be placed in the console and final test and evaluation conducted. During the interim period some output materials will be sent to this office for preliminary evaluation.

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